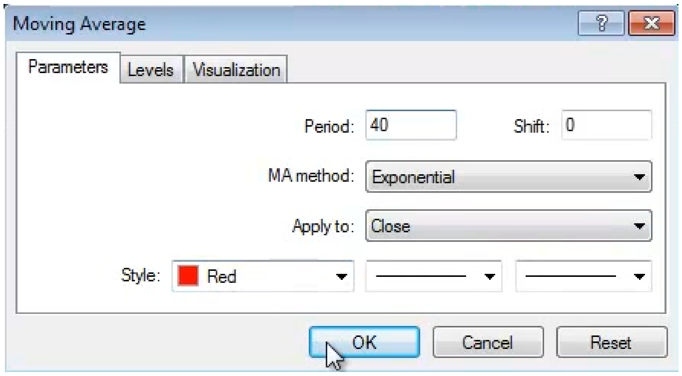
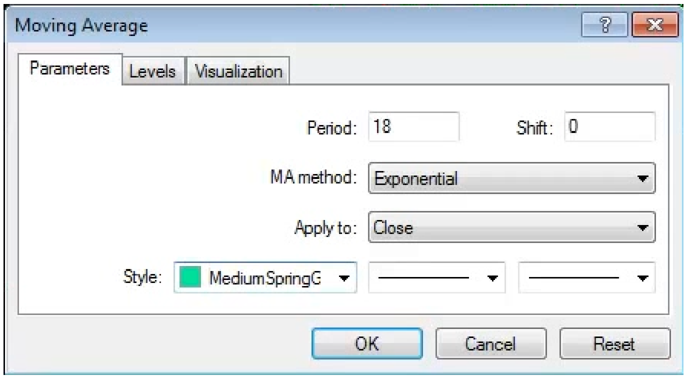
Short Term Intraday Method

Saturday, January 04, 2014   12:56 PM

- Plot 2 moving averages on the daily chart. The first one will be a 40 period exponential applied to the close.



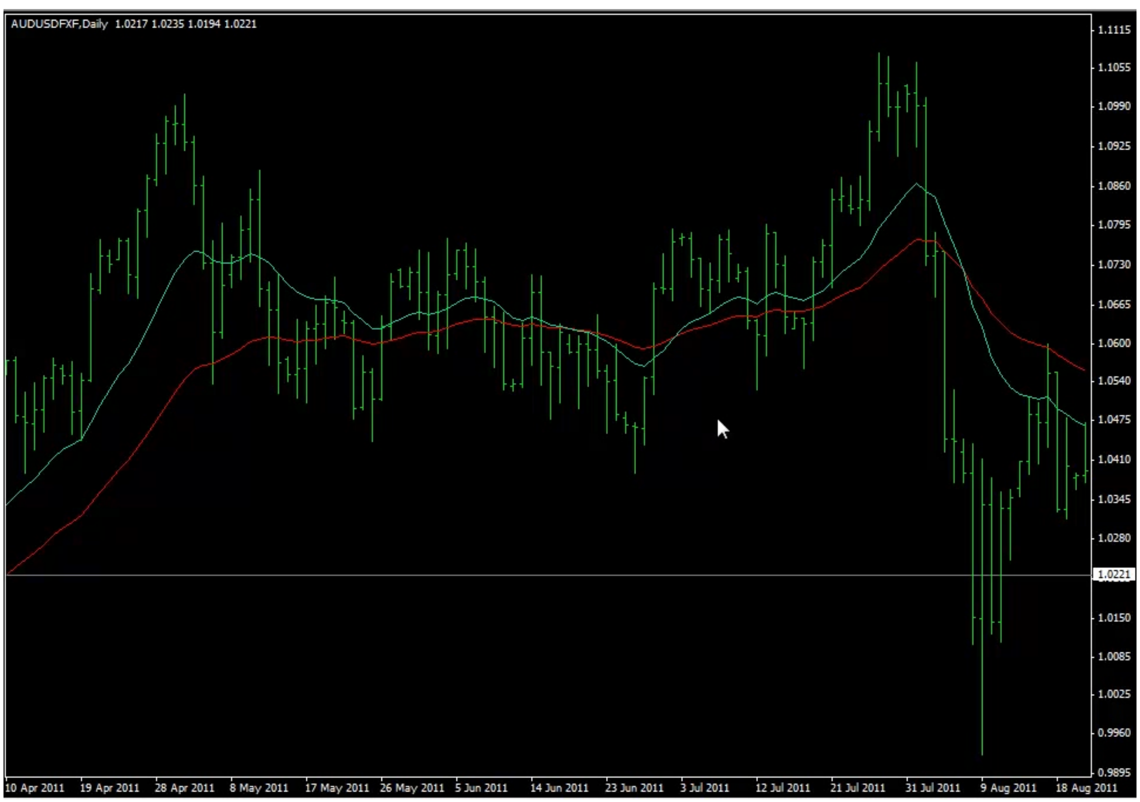
- The second one will be an 18 period exponential applied to the close.



- The moving average crossover does not mean anything until we have price structure on our side. We do not care about the crossover alone.
- Look for places when the 18 period moving average is above the 40 period moving average and is opening wider for buy signals.
- Look for places when the 18 period moving average is below the 40 period moving average and is opening wider for sell signals.



- That should for the most part be able to keep you on the right side of the market. It will also let you participate in the profit release portion of the trending markets.
- It gets you in trouble when you reach significant highs and lows but there are market profile concepts that will protect us from getting too beat up in that situation.
- In the image below, the market is trading in a range bound profile. Because of this, it doesn't mean that because the 18 period moving average is above the 40 period moving average that we will be looking for buys based on just that. You would be looking for a totally different trading approach when we are in a range:



- Once we use the moving averages to give us a bias for our trade, we want to wait until market structure is in sync with that. In the image below, the example shows us doing that with the fractals indicator:



- Do not look for buy or sell signals based on just moving averages.
- All the concepts mean nothing alone, but when you have a combination of ingredients they are very powerful.
- It is okay to trade the 3 day pattern fractals (the one built into MetaTrader is a 5 day fractal) if you are not new, but it is considered aggressive.
- With short term trading, you do not take first profits at 30 pips. You wait and take a certain percentage off at your final daily objective and let the rest run.
- Once you have already paid yourself in short term trading you can trail a stop with 30% of the position behind the last 2 daily swing lows. You have already paid yourself so you can just let that trade run and look for opportunities in other pairs. If it is what we think it is, we want to be in it for a couple of days at least. It is not a day trading concept, although we are using day trading concepts to get in to the market. We want a few hundred pips, we do not just want around 60 pips and be happy with that using this method. You want to do it inside of a week or so. It could also very easily become a long term position trade. See the image below for an example:



- Cut your losses short and let your profits run.
- There are many ways to do it, this method just gets the ideas flowing.
- When you have this trending market profile with the moving averages spreading apart from each other, it is good to look for continuation (bull flags, ascending triangles, coils, etc.) patterns.
- When the 18 period is above the 40, it acts as a dynamic support & resistance level.
- Many times you will see the ICT Holy Grail when price does trade back down to that 18 period moving average. The ICT Holy Grail is an OTE combined with type 2 divergence or hidden divergence.
- Hidden divergence with price moving higher would be, price making a higher low while the indicator is making a lower low.
- It's all about angle and separation with the moving averages.
- Institutions use 2 moving averages to know what the trend is.
- You need these large extrapolated moves to pay for your goof ups and mistakes.
- It is not every day that these short term patterns set up, but if you wait for it to set up it gives you a HUGE advantage over the standard retail trader.
- The large traders/institutional traders that ICT knows have revealed some of their trading models with him and this moving average method is what they use to help them with direction.
- When shorting, the basis to this method is to wait for a swing high to form when the 18 period MA is below the 40 period MA and is widening. You would then trade short on a Judas Swing up on the day after the swing high has completed.
- If the 18 period MA is above the 40 period MA, then we are in a buy program. If the 18 period MA is below the 40 period MA, then we are in a sell program. Only if there is angle and separation and market structure is broken to support that. Then you just wait for the fractal to form to get yourself in sync. Look for pivot zones, trinity zones, SMT divergence, OTE.. if you get a combination of at least 3 things supporting your trade then go with it!